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UNCLAS SECTION 01 OF 02 KATHMANDU 000138

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SENSITIVE

STATE FOR SA/INS, S/CT, DS/IP/SA, AND DS/OSAC  
LONDON FOR POL/EREIDEL  
TREASURY FOR OFAC/NEWCOMB

E.O. 12958: N/A

TAGS: [PTER](#) [PINS](#) [ASEC](#) [CASC](#) [NP](#)

SUBJECT: MAOISTS MAY FORCE COCA-COLA FROM NEPAL

REF: 2002 KATHMANDU 2440

[11.](#) (U) This cable contains business-sensitive information and should be handled accordingly.

Summary  
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[12.](#) (SBU) On January 22, Embassy officers met with Security Managers for Coca-Cola, who are in Nepal to assess the risk posed to its plants, distributors, and retailers after a Maoist extortion request. The representatives also met with the Government of Nepal (GoN) to determine if any additional security assistance would be forthcoming. Given the Maoists' persistence and the GoN's apparent inability to guarantee security for all of Coca-Cola operations, the company is reviewing the possibility of closing operations in Nepal. Should Coca-Cola withdraw from Nepal, the country will lose its third largest taxpayer, a valuable employer, and its most visible American commercial presence. End summary.

Assessing Risks with Few Alternatives  
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[13.](#) (SBU) On January 22, Embassy officers met with Mr. Gordon Sjue and Mr. Arthur Eberhart, Security Managers for The Coca-Cola Company. Coca-Cola is concerned with the threat posed to its local operations (including 2 bottling plants, 63 distributors, and 38,000 retail locations) by the company's refusal to meet a Maoist extortion request of USD 38,000 (reftel). Over the course of the insurgency, the two bottling plants have been bombed three times, and three distributors have been scared away from carrying Coca-Cola products due to direct Maoist threats. The representatives believe that in view of the attacks Coca-Cola interests have already undergone, its continued presence in Nepal is at significant risk that may force closure of operations. The representatives will deliver a security risk assessment and recommendations to their regional headquarters in Bangkok and corporate headquarters in Atlanta.

[14.](#) (SBU) The Coca-Cola representatives assured the Embassy that they have no intention of paying the Maoists and reported that they had presented a counter-offer to the insurgents of financing development projects, such as potable water facilities and mobile vision clinics, near their bottling plants. Coca-Cola worked with the Village Development Committees and representatives of the Maoists over the summer of 2002 to develop these proposals. However, the Maoists have now refused to accept any alternatives and demand cash payment.

GoN May Mourn the Loss, But Offers No Additional Help  
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[15.](#) (SBU) Sjue, Eberhart, and the RSO also met with Major General Katwal, Co-coordinator for the National Security Secretariat, to assess the Government of Nepal's (GoN)

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ability to provide additional security for Coca-Cola's distributors and retailers. In a frank discussion, MG Katwal stated that he could not offer protection beyond that already provided at the two bottling plants. He was encouraged that Coca-Cola had decided not to meet the Maoists' extortion demands and had countered with development projects. However, he agreed with Coca-Cola's representatives and the RSO that the Maoists were more likely interested in cash at the moment, probably to fund arms purchases. When confronted with the possibility that Coca-Cola may have to close, MG Katwal reflected that its closure would be felt by the GoN and may have negative implications for other multinational corporations. While concerned, he did not offer additional GoN support to ensure Coca-Cola's continued operation.

Comment  
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[16.](#) (SBU) The loss of Coca-Cola will have a significant impact on Nepal's economy. The company has 500 direct-hire

employees, with significant indirect employment through its distributors and retailers; serves as Nepal's third largest taxpayer; and represents the second largest American investment in Nepal. The push for cash rather than projects that uplift the Nepali people is yet another demonstration of the Maoists' moral bankruptcy. With Coca-Cola's bottling plants relatively secure, the Maoists appear to be shifting tactics and threatening Nepali distributors and retailers--threats that already have achieved some success. Little reliable security can be provided for such a large and geographically dispersed corporate operation. As retailers and distributors are not dependent solely on Coca-Cola, they are likely to drop its products in the face of repeated Maoist threats, despite significant revenue losses. The Embassy will remain in consultation with Coca-Cola management on the outcome of their risk assessment and a possible public relations strategy for responding to the Maoist threat.

MALINOWSKI